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C O N F I D E N T I A L SECTION 01 OF 02 SHANGHAI 000280

SIPDIS

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SUBJECT: SHANGHAI ACADEMIC YANG JIEMIAN ON TAIWAN, SED

REF: A) SHANGHAI 41; B) SHANGHAI 194

CLASSIFIED BY: Kenneth Jarrett, Consul General , U.S. Consulate General, Shanghai, Department of State.

REASON: 1.4 (b), (d)

¶11. (C) Summary: During the Consul General's July 25 farewell call, Shanghai Institute for International Studies (SIIS) President Yang Jiemian noted improvements in cross-Strait relations and expressed his hope that the Strategic Economic Dialogue (SED) will continue even after the change in administration. He relayed contents of his discussions with policy advisors in Taiwan, explaining that greater international space for Taiwan remains their chief diplomatic priority. End Summary.

¶12. (U) The Consul General paid a farewell call on SIIS President Yang Jiemian on July 25. Yang is the brother of Chinese Foreign Minister Yang Jiechi and an influential academic in his own right. SIIS Vice President Chen Dongxiao, SIIS Senior Fellow Wu Chunsi, Consul General, Deputy Principal Officer, Acting Political/Economic Section Chief and Poloff (notetaker) also participated in the meeting.

Yang's Discussions with Ma's Advisors

¶13. (C) Yang provided a readout on his recent visit to Taiwan. Yang met with high level advisors to President Ma Ying-jeou, including officials at the Mainland Affairs Council, and members of the DPP. Yang sees cross-Strait relations shifting in a positive direction but noted four issues raised by his Taiwan interlocutors. First, Taiwan seeks a greater role in international space, particularly as an observer in the World Health Organization (WHO). Ma is willing to use the nomenclature "Chinese Taipei" rather than insisting on "Taiwan".

Second, the Taiwans see Paraguay's continued recognition of Taiwan (i.e. no Mainland pressure on Paraguay to switch) as a sign of the Mainland's goodwill in improving cross-Strait relations. Third, Ma would like to send a more senior representative to APEC. Although many outsiders believe that former KMT Chairman Lien Chan would be a suitable candidate, Yang observed that Ma is hesitant to appoint Lien since he and Lien still have some political differences. Fourth, Taiwan hopes to participate more fully in Southeast Asia's economic integration, preferably via ASEAN, such as a 10 plus 3 plus 1 format (ASEAN plus China plus South Korea plus Japan plus Taiwan) or even a 10 plus 3 plus 3 format (including Hong Kong

and Macau).

¶4. (C) According to Yang, Ma's advisors are still debating whether or not to suspend Taiwan's application for United Nations membership this year. There are three possible options: a) suspend the application if cross-Strait relations continue to improve; b) continue with the application but do it "half-heartedly"; c) continue with the application "more energetically" to show Ma cares more than the DPP about Taiwan's international space. Yang stated that Ma's advisors have not reached a conclusion on this yet.

¶5. (C) Yang believes DPP head Tsai Ying-Wen's star is rising fast in Taiwan. He tried to meet with her during his trip to Taiwan, but she insisted that the meeting take place in her office. He wanted to meet in a more neutral environment and, in the end, the two could not come to an agreement on a venue. Yang insisted, however, that this episode did not affect his high opinion of her. Yang did meet with other senior DPP figures.

¶6. (C) The Consul General encouraged the Mainland to be as "responsive as possible" to Taiwan's overtures regarding the international space issue. The issue has received considerable attention from the outside world, and a positive response from the Mainland would lend force to a "virtuous cycle" in improving cross-Strait relations.

The SED's Future

¶7. (C) Yang believes the SED has played an integral role in furthering U.S.-China bilateral relations and expressed his hope that the SED will continue even after the change in

SHANGHAI 00000280 002 OF 002

administration next year. SIIS has been tasked by the Ministry of Finance (MOF) to act as a consultant on economic issues, and the SED in particular. SIIS has already had discussions with the MOF in advance of Treasury Secretary Paulson's planned visit to Beijing during the Olympics and is working on the agenda for the next round of SED talks in December.

SIIS's Goals

¶8. (C) Yang described SIIS's growing role as advisor to China's Ministry of Foreign Affairs, MOF, and Taiwan Affairs Office. Beijing is concerned about the state of the U.S. economy, especially given the huge exposure of China's foreign reserves to the U.S. market. SIIS will increase its focus on economic issues, particularly the U.S. economy; Yang hopes that SIIS academics will have more opportunities to exchange ideas with economic experts visiting from the United States.

¶9. (C) SIIS will also expand its research in areas where there are differences of opinions between the United States and China including Burma, Africa, Zimbabwe, and Latin America. Yang emphasized the importance of paying attention to non-traditional issues in foreign policy such as energy, environment and public policy. To that end, SIIS will expand its research in these areas and has already hired an academic from China University of Hong Kong to cover climate change issues.

¶10. (C) Yang hopes that U.S.-China relations will continue to improve in the next administration. He said that after the Olympics, Premier Wen Jiabao will likely attend the autumn session of the UN General Assembly. It was unclear whether Wen will also seek to conduct a formal bilateral visit at that time. However, Yang believes that it is important to constantly inject "momentum" in the U.S.-China relationship.

JARRETT